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SACRAMENTO HOUSING AUTHORITY  
CITY OF SACRAMENTO



*Agency Rpt 39*

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**

August 18, 1981

CITY MANAGER'S OFFICE  
**RECEIVED**  
AUG 19 1981

Housing Authority of the  
City of Sacramento  
Sacramento, California

Honorable Members in Session:

**SUBJECT: Quarterly Progress Report - City and County Single  
Family Mortgage Bond Program**

SUMMARY

This is the quarterly progress report as of June 30, 1981 regarding the City and County Single Family Mortgage Bond Program. The report addresses: 1) status of loans purchased and progress of current bond issue, 2) program publicity, 3) recruitment of staff person for bond program administration, 4) staff research and planning for subsequent bond issues, and 5) status of Federal and State laws affecting the issuance of housing revenue bonds.

BACKGROUND

Program Status

On December 11, 1980 by Resolution No. 80-1508 the Board of Supervisors approved an \$11.8 million revenue bond program to provide financing for approximately 180 low and moderate income families. The Authority's initial quarterly progress report for the period ending March 31, 1981 indicated that a total of 19 loans had been completed at that time. Updated reports, as of June 30, 1981, note an additional 61 loans have been completed and 39.15% of the mortgages have been purchased (see Attachments I and II). In addition, in a recent report prepared for Blyth Eastman Paine Webber, the bond underwriter, by PMI, the bond Administrator, the figures indicated that only 43.31% of the bond monies have not received lender's commitments.

Per discussions with PMI, the bond program's progress is proceeding smoothly and the participating mortgage companies feel comfortable about meeting their mortgage commitments. Only one mortgage company, Amfac Mortgage Corporation, appears to have been having some difficulty fulfilling their commitment. Amfac indicates that the raise in the median income (approved by the Board on July 7, 1981 by Resolution No. 81-772) should increase the number of qualified buyers eligible for participation and better enable them to meet their commitment.

8-25-81  
All Districts

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## Bond Program Publicity

Per Commission's inquiry, a survey of the local newspapers was undertaken during the month of May to determine the amount of publicity the program was receiving. Over a three-week period from May 2 to May 24, 1981 35 ads were published in the Sacramento Bee and Sacramento Union on the homes in the mortgage revenue bond program. Some ads referred specifically to the mortgage revenue bond financing available through the City/County issuance. Others indirectly advertised the availability of low-interest fixed rate loan money. Seven of the eleven developments were represented in the advertisements.

In addition, three articles were published which related to the general program guidelines, requirements for participation and status of the bond issue. The developer, Aegean Ltd., published the first two articles in the Sacramento Union on May 2, 1981 and the Sacramento Bee on May 10, 1981. The third article, written by Authority staff, appeared in the Sacramento Bee on May 15, 1981.

## Bond Staff Position

On February 26, 1981 Management Study Report No. 3 was approved by the Board of Supervisors and City Council. This approval authorized the addition of a limited-term position to monitor the revenue bond program and make recommendations for future issues. The recruitment and selection process to fill this position occurred during the months of May and June 1981. Unfortunately the Authority was unsuccessful in finding an individual who had the qualifications to fulfill these responsibilities. Therefore, the Personnel Division is currently in the process of re-advertising the position with a target date of October 1, 1981 for hiring and commencement of duties.

## Research and Planning for Future Issues

Staff is currently involved in a number of activities to prepare the City and County for a possible future issue. Questor Associates, the consulting firm which prepared the financial feasibility study for the current mortgage revenue bond issue has been requested to prepare a proposal which would prepare preliminary analysis of the results/success of this bond issue. These findings will be utilized to assist the Authority to better tailor the next bond issue to the needs of the City and County residents and developers. Secondly, staff is in the process of developing a Request for Proposals (RFP) to select an underwriter firm to assist in the design and development of the next issuance. It is anticipated the interviews will be held

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and the firm selected by the end of August. In addition, staff is involved in studying various financing mechanisms to provide low interest rate housing funds. Numerous developers have approached the Authority to express their interest in future bond issues and a proposal has been received for a multi-family bond issue (not under AB 1355) which is currently being reviewed by staff.

## Status of Federal and State Laws Affecting the Issuance of Housing Revenue Bonds

The passage of the Mortgage Subsidy Bond Tax Act of 1980 has created a major hurdle in the issuance of tax exempt revenue bond issues throughout the nation. Many policy issues and regulations must be developed prior to the time when governmental issuers can proceed under this Act. Two major areas which must be resolved are 1) the Department of Treasury must develop income tax regulations relating to the tax-exempt status of the interest on the mortgage subsidy bonds, and 2) the State of California Legislature must determine its method of calculation of distributing its State ceiling allocation among the governmental units.

Concerning the first item, recently the Internal Revenue Service has published temporary regulations covering Section 103A of the Internal Revenue Code, a new section of the Code adopted in the closing hours of the 96th Congress. These proposed regulations have clarified some of the technical problem areas in the new law, however, many issues must be resolved concerning the more conceptual areas of the legislation: 1) determination of "safe harbor" numbers for purchase price of residences and State ceiling limitation and clarification of compiling "more accurate and comprehensive" data by issuer. Note: Safe harbor numbers represent the maximum limitations established by the Treasury Department for the individual SMSA's that can be utilized by the issuing bodies to comply with tax-exempt requirements of mortgage revenue bonds. In this instance the safe harbor number for purchase price are the maximum acquisition prices for the residences in the issues. The Treasury Department has determined that the acquisition costs of each residence other than a targeted area residence may not exceed 90 per cent of the average area purchase price of the SMSA in which the residence is located. Targeted area residence acquisition costs may not exceed 110 per cent of this price. As mentioned previously, however, an option remains open for the individual issues to compile their own data; 2) method of calculation in computing arbitrage to maintain the 1% point spread between the mortgage rate and the bond rate; and 3) interpretation of requirements for the 95% test which requires assurances that 95% of the mortgages must be made to qualified buyers. The resolution of some of these items requires legislative or administration action; others will be worked out upon

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development of the governmental bond issues. Concerning the "safe Harbor" funding level, the Department of the Treasury is expected to publish them in September.

Regarding the second issue, the determination of the method of distribution of the State ceiling allocation, Federal legislation allows that the formula for 1981 be determined by a gubernatorial proclamation or a legislative act. In subsequent years, however, the only option is legislative action. Locally in California it appears the Governor's proclamation will only be made after the legislators can resolve their differences on how to structure the State ceiling allocation. Compromises and/or solutions seem to have been reached on most of the major issues. The method of calculation is anticipated to be two-thirds of the ceiling to the local governmental agencies and one-third to the State agencies. The allocation procedure involves both a bonus and entitlement option. The specific details have not been agreed upon. Bond experts believe the Governor's proclamation will be issued shortly.

## CONCLUSION

As indicated above, governmental issuers in the State of California are awaiting the Governor's proclamation and all have delayed issuing bonds until that time. In the interim, the Authority is developing the framework to prepare the City and County to ready itself for its next issuance. Through the underwriter selection and preliminary analysis of the existing mortgage revenue bond program, the Authority's position appears favorable for proceeding in a timely manner once the details/issues outlined above have been resolved.

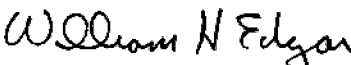
## FINANCIAL DATA

This report is for information only.

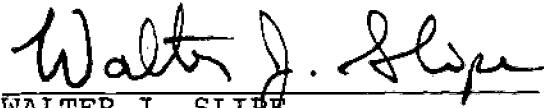
## RECOMMENDATION

This report is for information only and no specific action is necessary.

Respectfully submitted,

  
WILLIAM H. EDGAR  
Interim Executive Director

FOR CITY COUNCIL INFORMATION:

  
WALTER J. SLIFE  
City Manager

COUNTY OF SACRAMENTO  
HOME AND LOAN PROFILES

OVERALL

Average Sales Price      \$ 60,666.50  
Average Down Payment      \$ 4,910.38  
Average Loan Amount      \$ 57,413.77

PRICE OF HOME

# of Loans      %

Under \$50,000	-0-	-0-
\$50,000- \$59,999	46	57.50
\$60,000- \$74,999	33	41.25
Over \$75,000	1	1.25

LOAN AMOUNT

# of Loans      %

Under \$40,000	1	1.25
\$40,000- \$49,999	4	6.56
\$50,000- \$59,999	59	73.75
\$60,000- \$75,000	16	20.00

TYPE OF UNIT

# of Loans      %

Single Family Detached	80	100
Condominium	-0-	-0-
Townhouse	-0-	-0-

SIZE OF UNIT

# Bedrooms      # of Loans      %

1	-0-	-0-
2	8	10.00
3	42	52.50
4 or more	30	37.50

COUNTY OF SACRAMENTO

DEMOGRAPHIC AND ECONOMIC PROFILE

June 30, 1981  
Period Ending

	<u>During Period</u>	<u>Overall</u>
Total Loans	<u>61</u>	<u>80</u>
Avg. Family Size	<u>2.51</u>	<u>2.63</u>
Avg. Age of Head of Household	<u>31.98</u>	<u>30.62</u>
Avg. Household Income	<u>25,700.34</u>	<u>25,648.96</u>

OVERALL

Family Income

Income	# of Loans	%
28,680 or less	77	92.25
20,000 or less	3	3.75

Sex of Head of Household

	# of Loans	%
Male	70	87.50
Female	10	12.50

Marital Status

	# of Loans	%
Married	60	75.00
Separated	-0-	-0-
Unmarried	20	25.00

Family Size

Size	# of Loans	%
1	15	18.75
2	26	32.50
3	22	27.50
4 or more	17	21.25

COUNTY OF SACRAMENTO  
DEMOGRAPHIC AND ECONOMIC PROFILE

June 30, 1981  
Period Ending

OWNERS vs. RENTERS

	# of Loans	%
Previous Renters	68	85.00
Previous Owners	12	15.00

ETHNIC BREAKDOWN

	# of Loans	%
American Indian Alaskan Native	-0-	-0-
Asian Pacific Islander	8	10.00
Black	1	1.64
Hispanic	6	7.50
White	43	53.75
Other	22	27.50

COUNTY OF SACRAMENTO

STATISTICAL REPORT

June 30, 1981  
Period Ending

GEOGRAPHICAL DISTRIBUTION

CITY vs. COUNTY

	# Loans in Period	\$ Amount in Period	%	# Loans Overall	\$ Amount Overall	%
Within Sacramento City Limits	59	3,343,305	96.72	77	4,323,080	96.25
Within County Limits	2	122,300	3.28	3	183,500	3.75

CITY vs. CITY

CITY NAME	# Loans in Period	\$ Amount in Period	%	# Loans Overall	\$ Amount Overall	%
Sacramento	59	3,343,305	96.72	77	4,323,080	96.25
North Highlands	2	122,300	3.28	3	183,500	3.75



COUNTY OF SACRAMENTO

NUMBER OF LOAN INCOME DISTRIBUTION BY LENDER

	MEDIAN INCOME RANGE					
	\$19,120 or less	%	19,120 to 23,900	%	23,900 to 28,680	%
ALTA MORTGAGE CO.	-0-	-	3	3.75	12	15.00
AMFAC MORTGAGE CORP.	-0-	-	-0-	-	1	1.25
FIRST CALIFORNIA MORTGAGE COMPANY	-0-	-	1	1.25	8	10.00
RIVER CITY MORTGAGE CORP.	2	2.50	3	3.75	10	12.50
STATEWIDE CITY MORTGAGE CORP.	-0-	-	-0-	-	2	2.50
WESTLAND MORTGAGE SERVICE COMPANY	-0-	-	8	10.00	22	27.50
YOUNG MORTGAGE SERVICE CORP.	1	1.25	2	2.50	5	6.25
TOTALS	3	3.75	17	21.25	60	75.00

PMI MORTGAGE CORPORATION  
ADMINISTRATOR

MONTHLY PURCHASE REPORT

ISSUER: County of Sacramento

BOND ISSUE NO: 1980

MONTH ENDING: June 30, 1981

PARTICIPANT	ALLOTTED FUNDS (000)	PURCHASED PAST MOS. (000)	PURCHASED THIS MO. (000)	BALANCE (000)	PCT. PURCH.	REMARKS
Alta Mortgage Company	1,960,000.00	551,025.00	285,750.00	1,123,225.00	42.69%	
Amfac Mortgage Corporation	350,000.00	0	51,000.00	299,000.00	14.57%	
First California Mortgage Company	950,000.00	440,300.00	108,700.00	401,000.00	57.79%	
River City Mortgage Corporation	2,750,000.00	761,025.00	109,800.00	1,879,175.00	31.67%	
Statewide City Mortgage Corp.	600,000.00	71,550.00	63,000.00	465,450.00	22.43%	
Westland Service Mortgage Company	3,620,000.00	1,167,125.00	562,290.00	1,890,585.00	47.77%	
Young Service Mortgage Corp.	1,650,000.00	323,000.00	155,950.00	1,171,050.00	29.03%	
<b>TOTALS</b>	<b>11,880,000.00</b>	<b>3,314,025.00</b>	<b>1,336,490.00</b>	<b>7,229,485.00</b>	<b>39.15%</b>	